

## EAST TENNESSEE NETWORK

125 E. Summer St.  
P. O. Box 1630  
Greeneville, Tenn. 37744

C. Duane Uhls  
VP/ Internet Operations

EXECUTIVE SECRETARY

October 3, 2001

David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

RE: East Tennessee Network, LLC (Docket No. 01-00728)

Dear Mr. Waddell:

The enclosed is the East Tennessee Network response to your September 13, 2001 request for corrected financial statements and projected financial statements.

If you have any questions or comments regarding this data, please contact Robert Wagler at 423-638-4181.

Sincerely,



Duane Uhls  
VP/Internet Operations

EXECUTIVE SECRETARY

OFFICE

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REGULATORY

01 OCT 2001

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East Tennessee Network, LLC  
Balance Sheet  
December 31, 2000

Assets

Current Assets

Cash	\$ 38,085.81	
Trade Receivables	221,624.07	
Other Receivables	3,393.98	
Prepaid Expense	400.00	
Total Current Assets		263,503.86

Property, Plant and Equipment

Leasehold Improvements	2,700.00	
Machinery, Equipment and Fixtures	452,881.62	
<u>Less: Accumulated Depreciation</u>	<u>(291,064.99)</u>	
Net Property, Plant and Equipment		164,516.63

Intangibles and Other Assets

Cost in excess of net assets of business acquired	712,448.68	
Investments and Other Assets	14,333.00	
<u>Less: Accumulated Amortization</u>	<u>(148,777.00)</u>	
Total Intangible and Other Assets		578,004.68

Total Assets	<u><u>\$ 1,006,025.17</u></u>
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Liabilities and Stockholders' Equity

Current Liabilities

Accounts Payable - Trade	\$ 140,729.88	
Accounts Payable - Other	86,102.00	
Accrued Compensation	29,782.84	
Accrued Interest	4,963.95	
Other Accrued Expenses	20,021.73	
Accrued Tennessee Franchise and Excise Taxes	10,341.00	
Deferred Income	207,345.19	
Total Current Liabilities		499,286.59

Long Term Liabilities

Affiliate Cash Pool Advance	725,386.26	
Total Long Term Liabilities		725,386.26

Total Liabilities	1,224,672.85
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Stockholders' Equity

Retained Earnings	(218,647.68)
Total Stockholders' equity	(218,647.68)

Total Liabilities and Stockholders' equity	\$ 1,006,025.17
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East Tennessee Network, LLC  
Statement of Income  
For Year Ended December 31, 2001

Operating Revenues

ISP Revenues	\$ 2,639,075	
<u>Less: Access Lines</u>	<u>(956,369)</u>	
Gross Profit on Sales		1,682,706

Operating Expenses

Salaries and Wages	518,521	
General and Admin	300,957	
Materials and Supplies	67,044	
Bad Debt Expense	57,997	
Other Expenses	<u>178,764</u>	
Total Operating Expenses		<u>1,123,283</u>

Net Operating Income	559,423
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Non-Operating Expenses

Other Income	-	
Net Interest Expense	71,593	
Depreciation and Amortization	142,180	
Management Fees	<u>191,712</u>	

Total Non-Operating Expenses	<u>405,485</u>
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Net Income Before Tennessee Franchise and Excise Tax	153,938
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Provision for Tennessee Franchise and Excise Tax	<u>10,341</u>
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Net Income	<u><u>\$ 143,597</u></u>
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East Tennessee Network, LLC  
Statement of Cash Flows  
For The Year Ended December 31, 2000

Cash Flows from Operating Activities

Net Income \$ 143,597

Adjustments to Reconcile Operating Activities to

Net Cash Provided by Operating Activities:

Depreciation and Amortization	\$ 142,180	
Decrease in Trade Receivable	30,866	
Increase in Other Receivables	(3,284)	
Increase in Trade Accounts Payable	4,059	
Decrease in Other Accounts Payable	(45,252)	
Increase in Accrued Compensation	12,934	
Decrease in Accrued Interest	(1,315)	
Increase in Other Accrued Expenses	2,106	
Increase in TN Franchise and Excise Taxes	10,341	
Increase in Deferred Income	6,105	
Total Adjustments	<u>158,740</u>	

Net Cash Provided by Operating Activities 302,337

Cash Flows from Investing Activities:

Purchases of Property and Equipment	(71,609)
Change in Other Assets and Investments	<u>(13,333)</u>

Net Cash Provided By (Used For) Investing Activities (84,942)

Cash Flows from Financing Activities:

Net Repayments to Affiliate Cash Pool	<u>(218,370)</u>
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Net Cash Provided By (Used For) Financing Activities (218,370)

Net Increase (Decrease) in Cash (975)

Balance of Cash at Beginning of Year 39,061

Balance of Cash at End of Year \$ 38,086

East Tennessee Network, LLC  
Balance Sheet  
June 30, 2001

Assets

Current Assets

Cash	\$ 24,877.14	
Trade Receivables	206,691.50	
Other Receivables	3,303.98	
Prepaid Expense	<u>1,310.44</u>	
Total Current Assets		236,183.06

Property, Plant and Equipment

Leasehold Improvements	2,700.00	
Machinery, Equipment and Fixtures	452,881.62	
<u>Less: Accumulated Depreciation</u>	<u>(339,064.99)</u>	
Net Property, Plant and Equipment		116,516.63

Intangibles and Other Assets

Cost in excess of net assets of business acquired	712,448.68	
Investments and Other Assets	14,333.00	
<u>Less: Accumulated Amortization</u>	<u>(170,783.92)</u>	
Total Intangible and Other Assets		<u>555,997.76</u>

Total Assets	<u><u>\$ 908,697.45</u></u>
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Liabilities and Stockholders' Equity

Current Liabilities

Accounts Payable - Trade	\$ 79,672.58	
Accounts Payable - Other	87,852.00	
Accrued Compensation	24,575.74	
Accrued Interest	8,000.00	
Other Accrued Expenses	21,318.79	
Accrued Tennessee Franchise and Excise Taxes	(5,173.00)	
Deferred Income	<u>211,476.65</u>	
Total Current Liabilities		427,722.76

Long Term Liabilities

Affiliate Cash Pool Advance	<u>490,788.76</u>	
Total Long Term Liabilities		<u>490,788.76</u>

Total Liabilities		918,511.52
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Stockholders' Equity

Retained Earnings	<u>(9,814.07)</u>	
Total Stockholders' equity		<u>(9,814.07)</u>

Total Liabilities and Stockholders' equity		<u>\$ 908,697.45</u>
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East Tennessee Network, LLC  
Statement of Income  
For Six Months Ended June 30, 2001

Operating Revenues

ISP Revenues	\$ 1,376,264	
Less: Access Lines	(420,820)	
Gross Profit on Sales		955,444

Operating Expenses

Salaries and Wages	271,152	
General and Admin	143,220	
Materials and Supplies	15,383	
Bad Debt Expense	29,700	
Other Expenses	88,267	
Total Operating Expenses		547,722

Net Operating Income	407,722
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Non-Operating Expenses

Other Income	316	
Net Interest Expense	24,610	
Depreciation and Amortization	70,007	
Management Fees	103,955	
Total Non-Operating Expenses		198,888

Net Income Before Tennessee Franchise and Excise Tax	208,834
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Provision for Tennessee Franchise and Excise Tax	-
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Net Income	<u>\$ 208,834</u>
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East Tennessee Network, LLC  
Statement of Cash Flows  
For Six Months Ended June 30, 2001

Cash Flows from Operating Activities		
Net Income	\$	208,834
Adjustments to Reconcile Operating Activities to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	\$	70,007
Decrease in Trade Receivable		14,932
Decrease in Other Receivables		90
Increase in Prepaid Expenses		(910)
Decrease in Trade Accounts Payable		(61,057)
Increase in Other Accounts Payable		1,750
Decrease in Accrued Compensation		(5,207)
Increase in Accrued Interest		3,036
Increase in Other Accrued Expenses		1,297
Decrease in TN Franchise and Excise Taxes		(15,514)
Increase in Deferred Income		4,131
Total Adjustments		<u>12,555</u>
Net Cash Provided by Operating Activities		221,389
Cash Flows from Investing Activities:		
Purchases of Property and Equipment		-
Change in Other Assets and Investments		<u>-</u>
Net Cash Provided By (Used For) Investing Activities		-
Cash Flows from Financing Activities:		
Net Repayments to Affiliate Cash Pool		<u>(234,598)</u>
Net Cash Provided By (Used For) Financing Activities		<u>(234,598)</u>
Net Increase (Decrease) in Cash		(13,209)
Balance of Cash at Beginning of Year		<u>38,086</u>
Balance of Cash on June 30, 2001	\$	<u><u>24,877</u></u>

East Tennessee Network, LLC  
Forecasted Capital Budget  
For Years Ended December 31, ----

Forecasted Capital Expenditures	<u>2001</u>	<u>2002</u>	<u>2003</u>
DSL Equipment			
DSLAMs and Cards	\$ 72,000	\$ 72,000	\$ 54,000
Routers and Hubs	18,000	-	-
Power Supplies	7,200	-	-
Remote Termination Units	<u>10,000</u>	<u>30,000</u>	<u>30,000</u>
Total DSL Equipment	107,200	102,000	84,000
ISP Equipment			
Routers	15,000	35,000	35,000
Computer Equipment	8,000	15,000	8,000
Other	<u>24,312</u>	<u>12,000</u>	<u>12,000</u>
Total ISP Equipment	47,312	62,000	55,000
Total Capital Expenditures	<u>\$ 154,512</u>	<u>\$ 164,000</u>	<u>\$ 139,000</u>

East Tennessee Network, LLC  
Pro Forma Balance Sheet  
December 31, ----

Assets	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Current Assets</u>			
Cash	\$ 62,266	\$ 92,730	\$ 711,944
Trade Receivables	221,624	230,772	234,522
Other Receivables	3,394	3,394	3,394
Prepaid Expense	400	400	400
Total Current Assets	<u>287,684</u>	<u>327,296</u>	<u>950,260</u>
<u>Property, Plant and Equipment</u>			
Leasehold Improvements	2,700	2,700	2,700
Machinery, Equipment and Fixtures	607,394	771,394	910,394
Less: Accumulated Depreciation	<u>(377,541)</u>	<u>(515,521)</u>	<u>(708,168)</u>
Net Property, Plant and Equipment	<u>232,553</u>	<u>258,573</u>	<u>204,926</u>
<u>Intangibles and Other Assets</u>			
Cost in excess of net assets of business acquired	712,448	712,448	712,448
Investments and Other Assets	14,333	14,333	14,333
Less: Accumulated Amortization	<u>(202,627)</u>	<u>(256,477)</u>	<u>(310,327)</u>
Total Intangible and Other Assets	<u>524,154</u>	<u>470,304</u>	<u>416,454</u>
 Total Assets	 <u><u>\$ 1,044,391</u></u>	 <u><u>\$ 1,056,173</u></u>	 <u><u>\$ 1,571,640</u></u>

Liabilities and Stockholders' Equity	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Current Liabilities</u>			
Accounts Payable - Trade	\$ 147,901	\$ 147,901	\$ 147,901
Accounts Payable - Other	-	-	-
Accrued Compensation	29,783	29,783	29,783
Accrued Interest	4,964	4,964	4,964
Other Accrued Expenses	24,762	24,762	24,762
Accrued Tennessee Franchise and Excise Taxes	26,476	29,216	34,181
Deferred Income	<u>207,345</u>	<u>207,345</u>	<u>207,345</u>
Total Current Liabilities	441,231	443,971	448,936
<u>Long Term Liabilities</u>			
Affiliate Cash Pool Advance	<u>427,016</u>	<u>\$ -</u>	<u>\$ -</u>
Total Long Term Liabilities	427,016	-	-
Total Liabilities	868,247	443,971	448,936
<u>Stockholders' Equity</u>			
Retained Earnings	<u>176,144</u>	<u>612,202</u>	<u>1,122,704</u>
Total Stockholders' equity	176,144	612,202	1,122,704
Total Liabilities and Stockholders' equity	<u>\$ 1,044,391</u>	<u>\$ 1,056,173</u>	<u>\$ 1,571,640</u>

East Tennessee Network, LLC  
Pro Forma Statement of Income  
For Three Years Ended December 31, ----

	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Operating Revenues</u>			
ISP Revenues	\$ 2,744,528	\$ 2,964,090	\$ 3,201,217
DSL Revenues	11,600	108,000	198,000
<u>Less: Access Lines</u>	<u>(841,640)</u>	<u>(951,013)</u>	<u>(1,012,455)</u>
Gross Profit on Sales	1,914,488	2,121,077	2,386,762
<u>Operating Expenses</u>			
Salaries and Wages	542,304	623,650	717,198
General and Admin	286,128	300,434	315,456
Materials and Supplies	30,766	33,843	37,227
Bad Debt Expense	59,400	65,340	71,874
Other Expenses	<u>176,534</u>	<u>185,361</u>	<u>194,629</u>
Total Operating Expenses	1,095,132	1,208,628	1,336,384
Net Operating Income	819,356	912,449	1,050,378
<u>Non-Operating Expenses</u>			
Other Income	632	-	-
Net Interest Expense	49,220	25,000	-
Depreciation and Amortization	140,326	191,830	246,497
Management Fees	<u>207,910</u>	<u>230,345</u>	<u>259,198</u>
Total Non-Operating Expenses	398,088	447,175	505,695
Net Income Before Tennessee Franchise and Excise Tax	421,268	465,274	544,683
Provision for Tennessee Franchise and Excise Tax	<u>26,476</u>	<u>29,216</u>	<u>34,181</u>
Net Income	<u>\$ 394,792</u>	<u>\$ 436,058</u>	<u>\$ 510,502</u>

East Tennessee Network, LLC  
Pro Forma Statement of Cash Flow  
For Years Ended December 31, ----

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Cash Flows from Operating Activities			
Net Income	\$ 394,792	\$ 436,058	\$ 510,502
Adjustments to Reconcile Operating Activities to			
Net Cash Provided by Operating Activities:			
Depreciation and Amortization	140,326	191,830	246,497
Decrease (Increase) in Trade Receivable	-	(9,148)	(3,750)
Decrease (Increase) in Other Receivables	-	-	-
Increase (Decrease) in Trade Accounts Payable	7,171	-	-
Increase (Decrease) in Other Accounts Payable	(86,102)	-	-
Increase (Decrease) in Accrued Compensation	-	-	-
Increase (Decrease) in Accrued Interest	-	-	-
Increase (Decrease) in Other Accrued Expenses	4,740	-	-
Increase (Decrease) in TN Franchise and Excise Taxes	16,135	2,740	4,965
Increase (Decrease) in Deferred Income	-	-	-
Total Adjustments	<u>82,270</u>	<u>185,422</u>	<u>247,712</u>
Net Cash Provided by Operating Activities	477,062	621,480	758,214
Cash Flows from Investing Activities:			
Purchases of Property and Equipment	(154,512)	(164,000)	(139,000)
Change in Other Assets and Investments	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided By (Used For) Investing Activities	(154,512)	(164,000)	(139,000)
Cash Flows from Financing Activities:			
Net Repayments to Affiliate Cash Pool	<u>(298,370)</u>	<u>(427,016)</u>	<u>-</u>
Net Cash Provided By (Used For) Financing Activities	(298,370)	(427,016)	-
Net Increase (Decrease) in Cash	24,180	30,464	619,214
Balance of Cash at Beginning of Year	<u>38,086</u>	<u>62,266</u>	<u>92,730</u>
Balance of Cash at End of Year	<u>\$ 62,266</u>	<u>\$ 92,730</u>	<u>\$ 711,944</u>